

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3624-14
Bill No.: Truly Agreed To and Finally Passed CCS for HS for HCS for SB 895
Subject: Banks and Financial Institutions; Bonds-General Obligation and Revenue;
Business and Commerce; Commercial Code; Credit and Bankruptcy; Fees;
Insurance-General; Liens; Manufactured Housing; Property, Real and Personal;
Savings and Loan
Type: #Corrected
Date: June 25, 2002
#Corrected error on fiscal summary and state fiscal summary regarding fund type.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Highway Funds	(\$146,008)	\$494,637	\$777,270
General Revenue	(\$489) to (Unknown)	(\$605) to (Unknown)	(\$623) to (Unknown)
#All State Funds	\$400,000	\$400,000	\$400,000
Total Estimated Net Effect on <u>All</u> State Funds	\$253,503 to (Unknown)	\$894,032 to (Unknown)	\$1,176,647 to (Unknown)

*Unknown cost could exceed \$100,000

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Federal	(\$949)	(\$1,173)	(\$1,209)
Total Estimated Net Effect on <u>All</u> Federal Funds	(\$949)	(\$1,173)	(\$1,209)

ESTIMATED NET EFFECT ON LOCAL FUNDS
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FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$243,750	\$365,625
Local Government	\$0	\$243,750	\$365,625

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 9 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials with the **Department of Economic Development, Office of Administration- Budget and Planning (BAP), Department of Insurance, Attorney General's Office, Office of State Courts and State Auditor's Office** assume that this proposal would have no fiscal impact on their agencies.

Officials from the **Secretary of State's Office (SOS)** assumed the rules, regulations and forms issued by the Department of Economic Development - Division of Finance could require as many as 30 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the *Missouri Register* is \$23. The estimated cost of a page in the *Code of State Regulations* is \$27. The actual costs could be more or less the SOS's estimated cost of \$1845 for FY 2003. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

This portion of the bill deals specifically with section 30.260 and the impact is as follows:

Officials with the **State Treasury's Office** estimate that an additional income of \$400,000 per year could be gained from interest received by cash payments to the securities lending program.

ASSUMPTION (continued)

This portion of the bill deals specifically with section 143.081 and the impact is as follows:

Officials from the **Department of Revenue (DOR)** and **Office of Administration- Budget and Planning (BAP)** assume this legislation would not impact their agency however it could result in a reduction of general revenue.

Oversight assumes this legislation would allow a Missouri resident S shareholder to receive the pro-rata share of net tax paid to the other state for an out-of-state bank as a credit against the shareholder's personal income tax return. This credit would be in addition to any credit for individual income tax paid to the other state.

Oversight assumes if the other state's tax rate is lower than Missouri's individual income tax rate, the revenue loss would be equal to the difference between the other state's tax rate and Missouri's tax rate. For example, if the other state's rate is 4%, then the expected loss for this credit would be 2% of the shareholder's pro-rata share of the S Corporation's taxable income.

Since the number of out-of-state S corporations with Missouri shareholders is unknown, as well as the amount of taxes paid to other states by S corporations with Missouri shareholders, Oversight assumes the revenue loss for this tax credit would be unknown, could exceed \$100,000 annually.

This legislation could reduce Total State Revenues.

This portion of the bill deals specifically with titling issues in sections 301.610, 301.620, 301.630 301.640, 301.660, 306.405, 306.410, 306.415, 306.420, 306.430, 306.440 and the impact is as follows:

Officials with the **Department of Revenue- Division of Motor Vehicle and Drivers Licensing (DVMDL)** assume this proposal requires all liens to be mailed to the owners versus the current practice of mailing the lien to lienholders. It is estimated that because of the lien being mailed to the owner of the vehicle versus the lienholders that there will be an increase in duplicate titles that will be required due to the owner misplacing, losing, etc. the lien. The number of duplicate titles issued will increase from 10% for FY04, to 15% for FY05 and finally 20% for FY06. The longer an owner has the title the more likely that the title will be misplaced/lost. The division of motor vehicle and drivers licensing anticipates mailing approximately 1,000,000 titles per year to owners.

ASSUMPTION (continued)

Revenue Impact

FY04

100,000 (1,000,000x10%=100,000)
Duplicate application fee= 100,000x\$8.50= \$850,000
25% quick title fee x\$5=\$125,000

FY05

150,000 (1,000,000x15%)
Duplicate application fee= 150,000x\$8.50= \$1,275,000
25% quick title fee= 150,000x\$5=\$187,500

FY06

200,000(1,000,000x20%).
Duplicate application fee= 200,000x\$8.50= \$1,700,000
25% quick title fee= 200,000x\$5=\$250,000

The DMVMDL assume that they would require two (2) Revenue Licensing Tech II for the first year (FY04) to process duplicate requests. This includes receiving, examining, rejecting, key entering, and mailing duplicate requests. This division would also need two (2) additional Revenue Licensing Tech II for FY05 and one (1) additional Revenue Licensing Tech II for FY06 based on the anticipated number of duplicate requests. DMVMDL further assumes they could need two (2) Telephone Information operators beginning FY03 to ensure that all calls anticipated from owners, dealers and lienholders are answered and appropriate responses are given. The division would require associated costs for equipment and expenses for the additional FTE.

The DMVMDL could also incur cost in the amount \$146,038 for FY03, \$106,632 for FY04 and \$132,045 for FY05 for forms, policies, procedures, and postage required to implement this proposal.

The Information Technology Bureau assumes it would require \$7,142 for programming costs to modify existing systems to implement this proposal. Programming costs will also be required in the amount of \$950 for FY03 to convert and key current child support lien information to DOR's website. The current contract vendor for FASTR has also indicated that this proposal will require 107 hours of programming to the Field Automated System for Titling and Registration. Contract rate of programming is \$150.00 per hour. $107 \times \$150 = \$16,200.00$.

ASSUMPTION (continued)

This portion of the bill deals specifically with section 454.507 and the impact is as follows:

EJ:LR:OD (12/01)

Officials of the **Department of Social Services - Division of Child Support Enforcement** (DOS - DCSE) stated that the proposal allows a non-custodial parent (NCP) to request an administrative hearing when DCSE files a lien against an NCP's account. DCSE officials estimate that they file 4,710 liens per year. Costs to inform NCPs of liens and their right to request an administrative hearing would be approximately \$1,600 annually. DCSE officials estimate that 52 persons per year would avail themselves of their right to a hearing and would be mailed a hearing packet which typically comprises 15 to 20 sheets of paper. Postage costs for packets would be about \$125 per year. DCSE officials assume that production of the necessary liens and notices could be integrated into the existing Missouri Automated Child Support System with existing resources.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
HIGHWAY FUNDS			
<u>Revenue- Department of Revenue</u>			
Duplicate title application fees	<u>\$0</u>	<u>\$731,250</u>	<u>\$1,096,875</u>
Total	<u>\$0</u>	<u>\$731,250</u>	<u>\$1,096,875</u>
<u>Cost- Department of Revenue</u>			
Salaries	\$0	(\$86,888)	(\$133,589)
Fringe Benefits	\$0	(\$31,288)	(\$48,105)
Equipment and Expenses	<u>(\$146,008)</u>	<u>(\$118,437)</u>	<u>(\$137,911)</u>
Total	<u>(\$146,008)</u>	<u>(\$236,613)</u>	<u>(\$319,605)</u>
ESTIMATED NET EFFECT ON HIGHWAY FUNDS	<u>(\$146,008)</u>	<u>\$494,637</u>	<u>\$777,270</u>

#ALL STATE FUNDS

<u>Revenue-State Treasure's Office</u>			
Interest income on cash payments	<u>\$400,000</u>	<u>\$400,000</u>	<u>\$400,000</u>
Total	<u>\$400,000</u>	<u>\$400,000</u>	<u>\$400,000</u>

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
#ESTIMATED NET EFFECT ON STATE FUNDS	<u>\$400,000</u>	<u>\$400,000</u>	<u>\$400,000</u>

GENERAL REVENUE FUND

<u>Loss</u> - Office of Administration			
Out-of-state bank tax credit for S- Corp shareholders*	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
Total	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>Cost</u> - Division of Child Support Enforcement			
Expense - Postage	<u>(\$489)</u>	<u>(\$605)</u>	<u>(\$623)</u>
Total	<u>(\$489)</u>	<u>(\$605)</u>	<u>(\$623)</u>

#ESTIMATED NET EFFECT ON GENERAL REVENUE FUND*	<u>(\$489) to (UNKNOWN)</u>	<u>(\$605) to (UNKNOWN)</u>	<u>(\$623) to (UNKNOWN)</u>
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FEDERAL FUNDS

<u>Cost</u> - Division of Child Support Enforcement			
Expense - Postage	<u>(\$949)</u>	<u>(\$1,173)</u>	<u>(\$1,209)</u>
Total	<u>(\$949)</u>	<u>(\$1,173)</u>	<u>(\$1,209)</u>

ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>(\$949)</u>	<u>(\$1,173)</u>	<u>(\$1,209)</u>
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* Unknown cost could exceed \$100,000

<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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LOCAL GOVERNMENT

<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
<u>Revenue- Cities</u>			
Duplicate title application fee	<u>\$0</u>	<u>\$146,250</u>	<u>\$219,375</u>
Total	<u>\$0</u>	<u>\$146,250</u>	<u>\$219,375</u>
<u>Revenue- Counties</u>			
Duplicate title application fee	<u>\$0</u>	<u>\$97,500</u>	<u>\$146,250</u>
Total	<u>\$0</u>	<u>\$97,500</u>	<u>\$146,250</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENT	<u>\$0</u>	<u>\$243,750</u>	<u>\$365,625</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

Fiscal impact relates to section 30.260 and this proposed legislation relates to the State Treasurer and the securities lending program.

Fiscal impact relates to section 143.081 and this proposed legislation would allow Missouri resident S shareholders of out-of-state banks chartered by a state, the Office of Thrift Supervision, or the comptroller of currency to qualify for the shareholder's pro rata share of any net tax paid, including certain bank franchise taxes, for purposes of claiming an income tax credit for taxes paid to another state

Fiscal impact relates to section 454.507 and this proposed legislation would require financial institutions to reply to the Division of Child Support Enforcement within five days of receiving from the division a notice of lien for the enforcement of a child support order.

Upon receiving the response from the bank, the division would mail a notice to the non-custodial parent, informing the parent of the reasons for the lien and the procedure for contesting the lien. Under current law, the bank notifies the non-custodial parent of the lien.

DESCRIPTION (continued)

Fiscal impact relates to the proposed legislation for sections 301.610, 301.620, 301.630 301.640, 301.660, 306.405, 306.410, 306.415, 306.420, 306.430, 306.440 and this proposed legislation would eliminate the lienholders possession on motor vehicle certificates of title. The owner of the motor vehicle would be required to list the lienholder on the application for title and failure to

do so would be a Class C felony. This proposal would specify the process for perfection for lienholders and subordinate lienholders. It is also proposed that once a lien is satisfied, the lienholder must mail or deliver a release stating satisfaction of the lien in a form prescribed by the Director of Revenue.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

This proposal could decrease state revenues.

SOURCES OF INFORMATION

Department of Insurance

EJ:LR:OD (12/01)

Office of State Courts Administrator
Office of State Treasurer
Office of State Auditor
Office of Administration
 Division of Budget and Planning
Office of Secretary of State
Department of Economic Development
 Division of Finance
 Division of Credit Unions
Department of Revenue
Attorney General's Office
Department of Social Services
 Division of Child Support Enforcement



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